

**PUBLIC DISCLOSURE**

DECEMBER 12, 2005

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**STOUGHTON CO-OPERATIVE BANK**

**950 PARK STREET**

**STOUGHTON, MA 02702**

**DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110**

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Stoughton Co-operative Bank (or the "Bank")** prepared by the Division, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"**

Stoughton Co-operative Bank's record of performance is based upon its efforts in meeting the criteria outlined in this report. The rating of this institution is established upon five performance criteria as shown in the public evaluation.

The analysis of the Bank's net loan-to-deposit ratio was reviewed over the past eight quarters and stands at 75.0 percent as of September 30, 2005. A comparison of the dollar amount for the Bank's loans and deposits as of December 31, 2003 was compared to that of September 30, 2005. This comparison revealed that net loans have increased by 6.2 percent, while deposits for the same period have decreased by 3.0 percent. Based on this information, Stoughton Co-operative Bank is considered to meet the standards for satisfactory performance in this area.

A review of Stoughton Co-operative Bank was conducted utilizing the 2003, 2004, and year-to-date December 12, 2005 Home Mortgage Disclosure Act ("HMDA") data. During this period, the Bank originated or purchased 333 HMDA-reportable loans totaling approximately \$48,130,000. Of these loans, 170 or 51.1 percent were originated inside the Bank's assessment area totaling \$23,389,000 or 48.6 percent of the total dollar amount of loans. The Bank's comparison of credit extended inside and outside of the assessment area meets the standards for satisfactory performance.

An analysis of HMDA-reportable originations by income of the borrower was also conducted utilizing the HMDA Loan Application Register ("LAR") data for 2003, 2004, and year-to-date December 12, 2005. Stoughton Co-operative Bank extended 27 HMDA-reportable loans to low-income borrowers representing 15.9 percent of total originations within the assessment area. In addition, the Bank extended 51 loans to moderate-income borrowers, representing 30.0 percent of the HMDA-reportable originations inside the assessment area. Stoughton Co-operative Bank ranked 5<sup>th</sup> in lending to low and moderate-income individuals within its assessment area during 2004. Stoughton Co-operative Bank is considered to exceed the standards for satisfactory performance in this area.

## **GENERAL INFORMATION (CONTINUED)**

The Bank's HMDA-reportable loans located within the Bank's assessment area were further analyzed to determine their location by census tract income level. Of the 170 HMDA-reportable loans originated within the assessment area during the review period, 66.5 percent were granted in middle-income census tracts and 33.5 percent were originated in upper-income census tracts. Stoughton Co-operative Bank is considered to meet the standards for satisfactory performance in this area.

Finally, there were no complaints received by the Bank pertaining to its CRA performance and the fair lending examination revealed no evidence of discriminatory or illegal credit practices.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Stoughton Co-operative Bank is a state chartered co-operative bank with its main office located at 950 Park Street in Stoughton, Massachusetts as well as a branch office located at 20 Park Street in Stoughton. As of September 30, 2005, assets totaled \$74,560,000, of which 70.0 percent were in the form of net loans.

Refer to the following table for additional information on the breakdown of loans.

**Loan Portfolio Composition**

<b>Loan Type</b>	<b>Amount (\$000s)</b>	<b>Percent</b>
One to Four-Family Residential Mortgages	\$ 43,357	82.7%
Consumer Loans	5,042	9.6%
Equity Lines of Credit	2,765	5.3%
Nonfarm Nonresidential Properties	631	1.2%
Multifamily Residential	571	1.1%
Construction and Land Development	89	0.1%
<b>Total Gross Loans</b>	<b>\$ 52,455</b>	<b>100.0%</b>

Source: September 30, 2005 Consolidated Report of Condition.

Stoughton Co-operative Bank is primarily a residential lender with 82.7 percent of loans consisting of 1-4 family residential mortgages, followed by consumer loans with 9.6 percent, and equity lines of credit with 5.3 percent.

Stoughton Co-operative Bank has strong competition from several financial institutions within its assessment area. Financial institutions that are located within the assessment area include, but are not limited to, the following: Randolph Savings Bank, HarborOne Credit Union, and Crescent Credit Union, as well as representatives of regional and national banking and mortgage companies. The market influence from these institutions appears to be significant, and as a result serves to keep the Bank's rates and services offered competitive.

Market share information obtained from PCI Services, Inc. CRA WIZ, based on 2004 aggregate performance data indicates 235 mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions have either originated or purchased residential mortgage loans within the Bank's assessment area. A further analysis of the aggregate indicates that 2,293 HMDA-reportable loans were originated within the Bank's assessment area during 2004. Out of these 235 lenders, Stoughton Co-operative Bank ranked 15<sup>th</sup> for loan originations.

There are no financial or legal impediments, which could limit the Bank's ability to help meet the credit needs of the assessment area. The Bank's most recent CRA evaluation was performed by the Federal Deposit Insurance Corporation ("FDIC") as of March 25, 2002. That examination resulted in a CRA rating of "Satisfactory." The Division last examined Stoughton Co-operative Bank as of May 17, 1999, and that examination also resulted in an overall rating of "Satisfactory."

## **PERFORMANCE CONTEXT (CONTINUED)**

### **Description of Assessment Area**

Stoughton Co-operative Bank defines its assessment area as the Town of Stoughton. The Bank is located in Norfolk County. The Town of Stoughton was located in the Boston Metropolitan Statistical Assessment Area ("MSA") for 2003, while the designation changed for 2004 and 2005 to the Boston Quincy, MA MD.

According to the 2000 Census Data, the Bank's assessment area contained a total population of 27,149 individuals, of which 12.5 percent are minorities. The census data also indicated the assessment area included 10,488 housing units of which 7,642 or 73.0 percent are owner-occupied.

The median family income for the Boston MSA during 2003 was \$80,800, while the median family incomes for the 2004 and 2005 information were \$75,300 and 76,400, respectively. The income figures are based on estimated Department of Housing and Urban Development ("HUD") information. Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The assessment area's housing prices continue to significantly increase. The average median sales price in the assessment area in October 2004 and October 2005 were \$330,000 and \$353,000, respectively. The continued increase in home prices presents an obvious impediment for many low and moderate-income individuals pursuing homeownership.

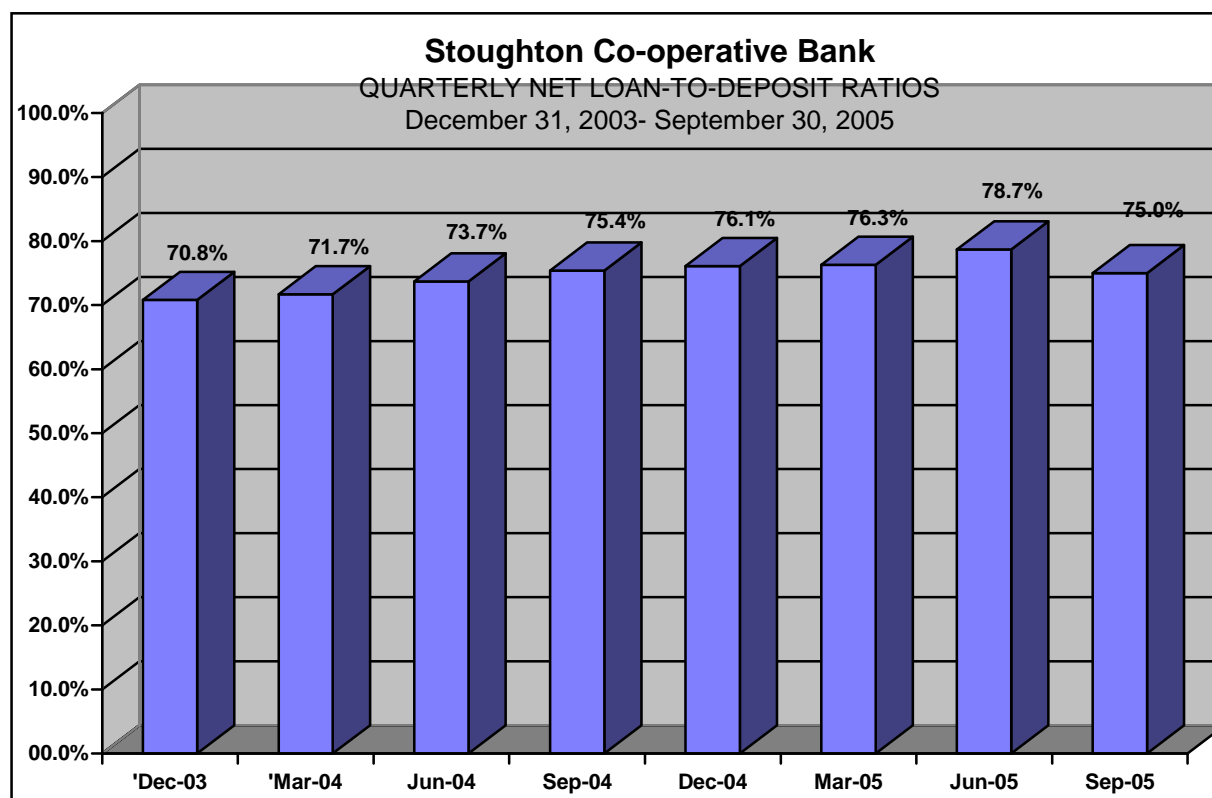
### **Town of Stoughton**

The Bank's designated CRA assessment area is the Town of Stoughton, which is located approximately 20 miles north of Boston. Stoughton is a medium sized suburban community with great ethnic diversity. The town is primarily a residential community with an excellent range of commercial properties that provide jobs, economic prosperity and non-residential tax dollars. The community includes the Stoughton Technology Center, world headquarters for Reebok as well as many family owned businesses. Stoughton has convenient access to the Massachusetts Bay Transit Authority commuter rail and to interstate highways for those residents commuting to Boston and other suburban job locations throughout the area.

## **PERFORMANCE CRITERIA**

### **1. LOAN TO DEPOSIT ANALYSIS**

An analysis of Stoughton Co-operative Bank's net loan-to-deposit ratio was performed during the examination. The analysis utilized the last eight quarters of the FDIC Call Report data for this institution. This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits. The Bank's net loans to total deposits as reported to the FDIC were reviewed from the quarters ending December 31, 2003 through September 30, 2005. The Bank's average net loan to deposit ratio for this time period was determined to be 75.0 percent. The net loan-to-deposit ratio has fluctuated slightly during the time period reviewed. Net loans increased approximately 6.2 percent, while total deposits decreased approximately 3.0 percent. The following graph depicts the net loan-to-deposit ratio for each quarter under review.



Stoughton Co-operative Bank's net loan to deposit ratio was compared to the ratios of three other area institutions. Although these institutions are not located within the Bank's assessment area, these institutions are all considered to be competitors of Stoughton Co-operative Bank. These ratios are as of September 30, 2005.

Please refer to the following table for more details.

INSTITUTION	NET LOAN-TO-DEPOSIT RATIO
Dedham Co-operative Bank	78.3%
<b>Stoughton Co-operative Bank</b>	<b>75.0%</b>
Sharon Co-operative Bank	66.4%
Avon Co-operative Bank	49.3%

Source: September 30, 2005

## **PERFORMANCE CRITERIA (CONTINUED)**

Based on the above information and Stoughton Co-operative Bank's capacity to lend, the strong competition from other institutions in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the assessment area, the Bank's net loan to deposit ratio is considered to meet the standards for satisfactory performance.

### **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)**

Stoughton Co-operative Bank's 2003, 2004, and year-to-date December 12, 2005 LARs were reviewed to determine the amount of credit extended within the Bank's assessment area. During this period, the Bank originated or purchased 333 HMDA-reportable loans totaling approximately \$48,130,000. Of these loans, 170 or 51.1 percent were originated inside the Bank's assessment area totaling \$23,389,000 or 48.6 percent of the total dollar amount of loans.

Refer to the following tables for additional information regarding the Bank's HMDA-reportable lending, by both number and dollar volume.

<b>Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area</b>								
<b>Year</b>	<b>Inside</b>				<b>Outside</b>			
	<b>Number of Loans</b>		<b>Dollar in Loans (000s)</b>		<b>Number of Loans</b>		<b>Dollars in Loans (000s)</b>	
	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b>2003</b>	100	47.8%	12,990	44.9%	109	52.2%	15,970	55.1%
<b>2004</b>	37	53.6%	5,425	52.8%	32	46.4%	4,844	47.2%
<b>2005 (YTD)</b>	33	60.0%	4,974	55.9%	22	40.0%	3,927	44.1%
<b>Total</b>	170	51.1%	23,389	48.6%	163	48.9%	24,741	51.4%

Source: 2003, 2004 and year-to-date December 12, 2005 HMDA DATA

As indicated in the table above, a slight majority of loans originated during the examination period were inside the Bank's assessment area.

Based on the above information, the analysis indicates that the Bank's comparison of credit extended inside and outside of the assessment area meets the standards for satisfactory performance.

### **3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS**

The Bank's HMDA-reportable loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family incomes for the Boston MSA for 2003 and the Boston-Quincy MA MD for 2004 and 2005.

## **PERFORMANCE CRITERIA (CONTINUED)**

The following table shows, by number, HMDA-reportable loans to low, moderate, middle and upper-income borrowers in comparison to the percentage of households within the assessment area in each respective income group.

### **Distribution of HMDA Reportable Loans Within the Assessment Area to Borrowers of Different Income Levels by Number**

Distribution of HMDA Loans by Borrower Income – Town of Stoughton									
Median Family Income Level	% Total Family Households	2003		2004		2005*		Total	
		#	%	#	%	#	%	#	%
Low	14.9%	14	14.0%	3	8.1%	10	30.3%	27	15.9%
Moderate	16.7%	31	31.0%	13	35.1%	7	21.2%	51	30.0%
Middle	24.0%	41	41.0%	13	35.1%	11	33.3%	65	38.2%
Upper	44.4%	14	14.0%	7	18.9%	4	12.1%	25	14.7%
NA	N/A	0	0.0%	1	2.8%	1	3.1%	2	1.2%
Total	100.0%	100	100.0%	37	100.0%	33	100.0%	170	100.0%

Source: U.S. Census, 2003, 2004, and year-to-date December 12, 2005 HMDA LAR

During 2003, 2004, and year-to-date December 12, 2005, Stoughton Co-operative Bank extended 27 HMDA-reportable loans to low-income borrowers representing 15.9 percent of total originations within the assessment area. This percentage is slightly above the 14.9 percent of low-income family households within the assessment area.

In addition, the Bank extended 51 loans to moderate-income borrowers, representing 30.0 percent by number inside the assessment area. The number of loans to moderate-income borrowers is above the 16.7 percent of moderate-income family households within the assessment area.

The distribution of the Bank's loans among various borrower income levels may also be compared to that of all other HMDA-reportable lenders in the assessment area. Other HMDA reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions, and mortgage companies. The most recent year for this comparison is 2004.

The following table shows the Bank's distribution of loans among various income levels compared to that of all other 235 HMDA reportable lenders for calendar year 2004 throughout the Bank's assessment area.



## **PERFORMANCE CRITERIA (CONTINUED)**

<b>Distribution of HMDA Reportable Loans – Assessment Area Stoughton Co-operative Bank Compared to All Other Reporters</b>								
<b>Median Family Income Level</b>	<b>Number of Loans</b>				<b>Dollar Amount of Loans</b>			
	<b>Stoughton Co-operative Bank</b>		<b>All Other Reporters</b>		<b>Stoughton Co-operative Bank</b>		<b>All Other Reporters</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>
<b>Low</b>	3	8.1%	109	4.8%	453	8.3%	13,441	2.8%
<b>Moderate</b>	13	35.1%	461	20.4%	989	18.2%	80,616	16.8%
<b>Middle</b>	13	35.1%	682	30.2%	2,189	40.4%	141,588	29.6%
<b>Upper</b>	7	18.9%	660	29.3%	1,664	30.7%	164,943	34.5%
<b>NA</b>	1	2.8%	344	15.3%	130	2.4%	77,779	16.3%
<b>Total</b>	37	100.0%	2,256	100.0%	5,425	100.0%	478,367	100.0%

Source: HMDA LAR 2004 HMDA Aggregate Data

As shown above, the Bank's percentage of lending to borrowers of low-income is above the aggregate by number and dollar amount for 2004. Stoughton Co-operative Bank originated 8.1 percent by number and 8.3 percent by dollar amount of the total HMDA-reportable loans within the assessment area to low-income borrowers, compared to the aggregate with 4.8 percent by number and 2.8 percent by dollar amount.

The Bank's HMDA reportable loans originated during 2004 to moderate-income borrowers accounted for 35.1 percent by number and 18.2 percent by dollar amount within the assessment area. Both number and dollar amount were above the aggregate's lending to moderate-income borrowers for 2004 as 20.4 percent by number and 16.8 percent by dollar volume were originated to moderate-income borrowers.

An analysis was performed to determine how the Bank's originations compare to all other lenders within the assessment area. During 2004, the most recent data available, Stoughton Co-operative Bank ranked fourth in lending to low-income borrowers in the assessment area and ranked sixth in lending to moderate-income borrowers. Overall, the Bank ranked 5th in lending to low and moderate-income borrowers throughout the assessment area.

Based on the information above, the Bank's lending to borrowers of different income levels, including those of low and moderate-income, reflects a good performance. Stoughton Co-operative Bank is considered to exceed the standards for satisfactory performance under the distribution of credit among borrowers of different income levels.

## **4. GEOGRAPHIC DISTRIBUTION**

The Bank's HMDA-reportable loans located within the Bank's assessment area were further analyzed to determine their location by census tract income level. For calendar year 2003, the Bank's assessment area was comprised of six census tracts, five of which were middle-income and one that was upper-income. For calendar years 2004 and 2005, the Bank's assessment area was also comprised of six census tracts, however, four were middle-income and two were upper-income. Of the 170 HMDA reportable loans originated

## **PERFORMANCE CRITERIA (CONTINUED)**

during the review period, 66.5 percent were granted in middle-income census tracts and 33.5 percent were made in upper-income census tracts.

Based on the analysis of the geographic distribution of HMDA-reportable loans, the Bank has penetrated all census tracts within the assessment area and has dispersed loans in a manner consistent with the demographics. Stoughton Co-operative Bank's performance in this criterion is considered to meet the standards for satisfactory performance.

### **5. FAIR LENDING POLICES AND PRACTICES**

A review of the Bank's public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination. In addition, a review of the Bank's residential loan application files was conducted to evaluate its fair lending policies and procedures. There were no discriminatory practices evident in the file review.

#### ***Minority Application Flow***

The Bank's loan application registers for 2003, 2004, and year to date December 12, 2005 were reviewed to determine if the application flow from the different racial groups within the Bank's assessment area was reflective of the area's demographics. Each year had to be broken out separately because the designation of races changed with the new 2004 HMDA regulations. Of the total 107 HMDA reportable applications received from within the Bank's assessment area for 2003, 97.3 percent were from white applicants and 2.7 percent were from minority applicants. Of the three applications received from minority applicants, two were originated and one was withdrawn.

The 2004 and year to date December 12, 2005 LARs show that Stoughton Co-operative Bank received 97 HMDA-reportable applications. Of these applications, 95 or 98.0 percent were received from white applicants and 2 or 2.0 percent were from minority individuals. Both minority applications resulted in originations. Refer to the following table for information on the minority application flow as well as a comparison of the aggregate lenders throughout Stoughton Co-operative Bank's assessment area.

Race	Aggregate Data 2004		Bank 2004		Bank 2005*		Bank Total	
	#	%	#	%	#	%	#	%
American Indian/Alaskan Native	21	0.6	0	0.0	0	0.0	0	0.0
Asian	71	2.0	0	0.0	0	0.0	0	0.0
Black or African American	349	9.9	1	2.5	0	0.0	1	1.0
Hawaiian/Pacific Islander	4	0.1	0	0.0	0	0.0	0	0.0
Joint Race	31	0.9	1	2.5	0	0.0	1	1.0
<b>Total Minority</b>	<b>476</b>	<b>13.5</b>	<b>2</b>	<b>5.0</b>	<b>0</b>	<b>0.0</b>	<b>2</b>	<b>2.0</b>
White	2,068	58.7	38	95.0	57	100.0	95	98.0
Race not Available	981	27.8	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>3,525</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>57</b>	<b>100.0</b>	<b>97</b>	<b>100.0</b>

2004 & year-to-date December 12, 2005 HMDA Data

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 950 Park Street in Stoughton, Massachusetts.

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction and mailing.

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.